

the continuance of the lease. Rental is payable annually on or before January 1. The rental paid for any year shall be credited against the first royalties that accrue under the lease during the year for which the rental was paid.

(b) If the annual rental is not timely remitted, the lessee shall be notified by the authorized officer that, unless payment is made within 30 days from receipt of such notification, action shall be taken to cancel the lease. (See § 3509.4-2)

(c) Remittances of rental shall be made in accordance with § 3503.1 of this title.

§ 3531.2-2 Production royalty.

All leases shall be conditioned upon the payment of such royalties as may be specified in the lease as fixed by the authorized officer in advance as provided under § 3503.2-1 of this title, but shall not be less than 2 per centum of the quantity or gross value of the output of potassium compounds and other related products, except sodium, at the point of shipment to market.

§ 3531.3 Duration of lease.

The lease shall be issued for an indeterminate period subject to the Secretary's right of reasonable readjustment of lease terms and conditions at the end of each 20-year period.

§ 3531.4 Readjustment.

(a) The terms and conditions of a lease are subject to reasonable readjustment at the end of each 20-year period following the effective date of the lease unless otherwise provided by law at the time of expiration of such period. Prior to the expiration of each 20-year period, the authorized officer shall transmit proposed readjusted terms and conditions to the lessee. If the authorized officer fails to transmit the proposed readjusted terms and conditions prior to the expiration of the 20-year period, the right to readjust the lease shall have been waived until the expiration of the next 20-year term.

(b) The lessee is deemed to have agreed to the readjusted terms and conditions unless, within 60 days after receiving them, the lessee files an objection to the readjusted terms or relinquishes the lease. The authorized of-

ficer shall issue a decision responding to the objections, and if the response is adverse to the lessee, the decision shall grant the right of appeal under part 4 of this title. The effective date of the readjustment shall not be affected by the filing of objections or by the filing of a notice of appeal.

(c) Except as provided in this paragraph, the readjusted lease terms and conditions shall be effective pending the outcome of the objections of the appeal provided for in paragraph (b) of this section unless the authorized officer provides otherwise. Upon the filing of an objection or appeal, the obligation to pay any increased readjusted royalties, minimum royalties and rentals shall be suspended pending the outcome of the objection or appeal. However, any such increased royalties, minimum royalties and rentals shall accrue during the pendency of the appeal, commencing with the effective date of the readjustment. If the increased royalties, minimum royalties and rentals are sustained by the decision on the objection or on appeal, the accrued balance, plus interest at the rate specified for late payment by the Service shall be payable (See part 3590). Pending the decision on the objection or the appeal, the royalties, minimum royalties and rentals shall be payable as specified by the lease terms and conditions in effect prior to the end of the 20-year period.

§ 3531.5 Bonds.

Prior to issuance of a lease under this part, the applicant shall furnish a bond in an amount to be determined by the authorized officer but not less than \$5,000. (See subpart 3504)

§ 3531.6 Special stipulations.

To insure adequate utilization and protection of the lands and their resources, leases shall contain such stipulations as may be prescribed by the authorized officer or the responsible official of the surface management agency if the surface is not under Bureau jurisdiction.

§ 3531.7 Other applicable regulations.

Leases issued under this part shall also be subject to the conditions set